

## Message Text

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PAGE 01 COLOMB 04427 011327Z

71

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-03 PA-01 PRS-01 /083 W  
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R 011101DEC 76

FM AMEMBASSY COLOMBO

TO SECSTATE WASHDC 6259

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E.O. 11652:NA

TAGS: ECON, EINV, CE

SUBJECT: PRIME MINISTER AND FINANCE MINISTER "REASSURE" FOREIGN  
INVESTORS

1. BEGIN UNCLASSIFIED: IN HER OPENING ADDRESS TO THE 24TH  
SESSION OF THE COMMISSION ON ASIAN AND PACIFIC AFFAIRS OF THE  
INTERNATIONAL CHAMBER OF COMMERCE (ICC-CAPA) IN COLOMBO ON  
NOVEMBER 30, PRIME MINISTER SIRIMAVO BANDARANAIKE SAID:  
"YOUR ORGANIZATION BELIEVES IN THE MARKET ECONOMY. I DO NOT  
BELIEVE IN THE EFFICACY OF THE FREE PLAY OF MARKET FORCES IN  
THE SOLUTION OF THE COUNTRY'S ECONOMIC PROBLEMS OR THE PROBLEMS  
OF THE INTERNATIONAL ECONOMY." SHE STATED SHE BELIEVED IN A  
MIXED ECONOMY NATIONALLY AND A GREATER DEGREE OF PLANNING AND  
CONTROL OF THE INTERNATIONAL ECONOMY. REFERRING TO THE NEED  
TO IMPROVE COMMODITY PRICES IN GENERAL, AND TEA PRICE IN  
PARTICULAR, MRS. BANDARANAIKE SAID: "THE CREATION OF A NEW  
INTERNATIONAL ECONOMIC ORDER IS THEREFORE IMPERATIVE IF WE  
ARE TO THROW OFF OUR OLD DEPENDENT RELATIONSHIP AND  
ESTABLISH INTER-DEPENDENT RELATIONS ON THE BASIS OF FREE AND  
EQUAL BARGAINING." WHILE ACKNOWLEDGING THE ICC-CAPA  
COULD MAKE AN IMPORTANT CONTRIBUTION TO THE ECONOMIC  
DEVELOPMENT OF THE REGION, SHE WARNED THAT THE PRIVATE  
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PAGE 02 COLOMB 04427 011327Z

SECTOR SHOULD NOT IDENTIFY ITS INTERESTS WITH AN "ECONOMIC ORDER WHICH IS PASSING AWAY." BUT SHOULD BE PREPARED TO ADJUST TO THE CHANGES THE NEW INTERNATIONAL ECONOMIC ORDER WILL BRING. REGARDING SRI LANKA, THE PRIME MINISTER SAID THAT WHILE THE GOVERNMENT WAS "NO FRIEND" OF THE PUBLIC SECTOR, IT WAS BY NO MEANS "HOSTILE" TO IT, AND FOREIGN INVESTMENT WAS WELCOME.

2. THE PRIME MINISTER'S SPEECH WAS FOLLOWED BY A HALF-HOUR EXTEMPORENEOUS "TALK WITH FRIENDS" BY FINANCE MINISTER FELIX BANDARANAIKE. THE FINANCE MINISTER REFERRED TO THE COUNTRY'S POLITICAL STABILITY AND THE AVAILABILITY OF CHEAP LABOR, AND SAID INVESTMENT OPPORTUNITIES IN SRI LANKA WERE BETTER THAN IN SINGAPORE OR HONG KONG. AFTER SAYING THAT DEMOCRATIC GOVERNMENTS MUST BE RESPONSIVE TO PUBLIC OPINION, HE BRIEFLY OUTLINED THE HISTORY OF THE NATIONALIZATION OF FOREIGN COMPANIES. DISCUSSING THE CURRENT TAKEOVER OF THREE BRITISH BANKS, MINISTER BANDARANAIKE SAID THOSE BANKS WILLING TO CHANGE THEIR METHODS OF COOPERATION AND BRING IN OUTSIDE CAPITAL WOULD BE WELCOME TO STAY. HE SAID THAT DESPITE THE NATIONALIZATIONS, TWO AMERICAN BANKS WERE "TAPPING AT OUR DOOR TO COME IN" AND THIS SHOWED HOW THE GSL'S POLICIES WERE BEING "APPRECIATED". HE URGED THE DELEGATES NOT TO FORM THEIR OPINIONS ABOUT SRI LANKA ON WHAT THEY READ IN THE FOREIGN PRESS BUT TO VISIT THE COUNTRY IN PERSON AND FIND OUT FOR THEMSELVES. THE FINANCE MINISTER SAID THE GSL WILL SUBMIT A "FOREIGN INVESTMENT GUARANTEE LAW" TO PARLIAMENT IN ORDER TO REASSURE POTENTIAL INVESTORS ABOUT THE GSL'S ATTITUDE TOWARD FOREIGN INVESTMENT.  
END UNCLASSIFIED.

3. BEGIN LIMITED OFFICIAL USE : COMMENT: BRIEF CONVERSATIONS WITH AMERICAN AND OTHER FOREIGN BUSINESSMEN ATTENDING THE ICC-CAPA MEETING INDICATED THE PRIME MINISTER'S AND FINANCE MINISTER'S SPEECHES DID LITTLE TO REASSURE PROSPECTIVE INVESTORS. THE FINANCE MINISTER FIRST PROPOSED A "FOREIGN INVESTMENT AUTHORITY LAW" IN HIS NOVEMBER 1975 BUDGET SPEECH, BUT STRONG LEFTIST OPPOSITION KEPT IT FROM BEING PRESENTED TO PARLIAMENT.  
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PAGE 03 COLOMB 04427 011327Z

THE SITUATION HAS NOT CHANGED AND, ASSUMING THE "FOREIGN INVESTMENT GUARANTEE LAW" IS THE SAME DRAFT LEGISLATION, PARLIAMENTARY CONSIDERATION BEFORE NEXT YEAR'S ELECTIONS IS VERY DOUBTFUL. END LIMITED OFFICIAL USE.

REED

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NNN

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

## Message Attributes

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